

MUSKEGON HEIGHTS HOUSING COMMISSION  
MUSKEGON HEIGHTS, MICHIGAN

FINANCIAL STATEMENTS  
FOR THE YEAR ENDED MARCH 31, 2008  
AND  
REPORTS ON INTERNAL CONTROL AND  
COMPLIANCE

# Auditing Procedures Report

Instructions and MuniCodes

\*=Required Fields

Reset Form

Issued under Public Act 2 of 1968, as amended. (V1.07)

Unit Name* Muskegon Heights Housing Commission	County* MUSKEGON	Type* OTHER	MuniCode*
Opinion Date-Use Calendar* October 8, 2008	Audit Submitted-Use Calendar* October 24, 2008	Fiscal Year End Month* 03	Fiscal Year* 2008

If a local unit of government (authorities & commissions included) is operating within the boundaries of the audited entity and is NOT included in this or any other audit report, nor do they obtain a stand-alone audit, enclose the name(s), address(es), and a description(s) of the authority and/or commission.

Place a check next to each "Yes" or non-applicable question below. Questions left unmarked should be those you wish to answer "No."

<input checked="" type="checkbox"/> ?	1. Are all required component units/funds/agencies of the local unit included in the financial statements and/or disclosed in the reporting entity notes to the financial statements?
<input checked="" type="checkbox"/> ?	2. Does the local unit have a positive fund balance in all of its unreserved fund balances/unrestricted net assets?
<input checked="" type="checkbox"/> ?	3. Were the local unit's actual expenditures within the amounts authorized in the budget?
<input checked="" type="checkbox"/> ?	4. Is this unit in compliance with the Uniform Chart of Accounts issued by the Department of Treasury?
<input checked="" type="checkbox"/> ?	5. Did the local unit adopt a budget for all required funds?
<input checked="" type="checkbox"/> ?	6. Was a public hearing on the budget held in accordance with State statute?
<input checked="" type="checkbox"/> ?	7. Is the local unit in compliance with the Revised Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, and other guidance as issued by the Local Audit and Finance Division?
<input checked="" type="checkbox"/> ?	8. Has the local unit distributed tax revenues, that were collected for another taxing unit, timely as required by the general property tax act?
<input checked="" type="checkbox"/> ?	9. Do all deposits/investments comply with statutory requirements including the adoption of an investment policy?
<input checked="" type="checkbox"/> ?	10. Is the local unit free of illegal or unauthorized expenditures that came to your attention as defined in the Bulletin for Audits of Local Units of Government in Michigan, as revised (see Appendix H of Bulletin)?
<input checked="" type="checkbox"/> ?	11. Is the unit free of any indications of fraud or illegal acts that came to your attention during the course of audit that have not been previously communicated to the Local Audit and Finance Division? (If there is such activity, please submit a separate report under separate cover.)
<input checked="" type="checkbox"/> ?	12. Is the local unit free of repeated reported deficiencies from previous years?
<input checked="" type="checkbox"/> ?	13. Is the audit opinion unqualified?
	14. If not, what type of opinion is it? NA
<input checked="" type="checkbox"/> ?	15. Has the local unit complied with GASB 34 and other generally accepted accounting principles (GAAP)?
<input checked="" type="checkbox"/> ?	16. Has the board or council approved all disbursements prior to payment as required by charter or statute?
<input checked="" type="checkbox"/> ?	17. To your knowledge, were the bank reconciliations that were reviewed performed timely?
<input type="checkbox"/> ?	18. Are there reported deficiencies?
<input checked="" type="checkbox"/>	19. If so, was it attached to the audit report?

General Fund Revenue:	? \$2,112,969
General Fund Expenditure:	? \$2,512,507
Major Fund Deficit Amount:	\$ 0.00

General Fund Balance:	? \$6,733,843
Governmental Activities Long-Term Debt (see instructions):	? \$1,228,171

We affirm that we are certified public accountants (CPA) licensed to practice in Michigan. We further affirm the above responses have been disclosed in the financial statements, including the notes, or in the Management Letter (reported deviations).

CPA (First Name)* Barry	Last Name* Gaudette	Ten Digit License Number* 1101011050		
CPA Street Address* 731 S. Garfield Ave.	City* Traverse City	State* MI	Zip Code* 49686	Telephone* 2319468930
CPA Firm Name* Barry E. Gaudette, CPA, PC	Unit's Street Address* 615 E. Hovey Ave.	Unit's City* Muskegon Heights	Unit's Zip* 49444	

MUSKEGON HEIGHTS HOUSING COMMISSION  
**TABLE OF CONTENTS**  
March 31, 2008

	<u>Page</u>
Independent Auditor's Report	1-2
Management's Discussion and Analysis (unaudited)	3-12
Basic Financial Statements:	
Statement of Net Assets	13-14
Statement of Revenue, Expenses, and Changes in Net Assets	15
Statement of Cash Flows	16-17
Notes to Basic Financial Statements	18-31
 SUPPLEMENTAL INFORMATION	
Combining Statement of Net Assets By Program	32-33
Combining Statement of Revenues, Expenses, and and Changes in Net Assets By Program	34
Combining Statement of Cash Flows By Program	35-36
Schedule of Expenditures of Federal Awards and Notes to the Schedule of Federal Awards	37
Financial Data Schedule	38-41
 REPORTS ON INTERNAL CONTROL AND COMPLIANCE	
Report on Internal Control Over Financial Reporting and on Compliance and other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	42-43
Report on Compliance with Requirements Applicable to Each Major Program and on Internal Control over Compliance in Accordance with OMB Circular A-133	44-45
Status of Prior Audit Findings	46
Schedule of Findings and Questioned Costs:	
Section I - Summary of Auditor Results	47
Section II - Financial Statement Findings	48
Section III - Federal Awards Findings	48-50
 CORRECTIVE ACTION PLAN	51
 ADJUSTING JOURNAL ENTRIES	52

## INTRODUCTION

*Independent Auditor's Report*

Board of Commissioners  
Muskegon Heights Housing Commission  
Muskegon Heights, Michigan

I have audited the accompanying financial statements of the business-type activities of Muskegon Heights Housing Commission, Michigan (Housing Commission), an autonomous quasi government entity, as of and for the year ended March 31, 2008, which comprise the Housing Commission's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Housing Commission's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audit provides a reasonable basis for my opinion.

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the business-type activities of Muskegon Heights Housing Commission, Michigan, as of March 31, 2008, and the respective changes in financial position, and cash flows, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Muskegon Heights Housing Commission  
Independent Auditor's Report  
Page Two

In accordance with *Government Auditing Standards*, I have also issued my report dated October 8, 2008, on my consideration of Muskegon Heights Housing Commission, Michigan's internal control over financial reporting and on my tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and important for assessing the results of my audit.

The management's discussion and analysis comparison information on pages 3 through 12, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. I have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, I did not audit the information and express no opinion on it.

My audit was conducted for the purpose of forming an opinion on the financial statements that comprise Muskegon Heights Housing Commission, Michigan's basic financial statements. The accompanying financial data schedule is presented for the purpose of additional analysis and is not a required part of the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements of Muskegon Heights Housing Commission, Michigan. The combining financial statements, schedule of expenditures of federal awards, and the financial data schedule have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in my opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

*Barry Standish, CPA, PC*

October 8, 2008

**Muskegon Heights Housing Commission  
Management's Discussion and Analysis (MD&A)  
March 31, 2008  
(Unaudited)**

As management of the Muskegon Heights Housing Commission we offer reviewers of this audit report this narrative discussion and analysis of the Muskegon Heights Housing Commission's financial activities for the fiscal year ended March 31, 2008. This discussion and analysis letter of the Muskegon Heights Housing Commission's financial performance should be read in conjunction with the auditor's opinion letter and the following Financial Statements.

The combined financial statements reflect all of the Commission's federally funded programs and activities in one place. The Commission reports all its activities and programs using the Enterprise Fund type model. HUD encourages PHAs to use this accounting method as it is normally used to account for "business-type activities" - activities similar to those found in the private sector. Enterprise Fund types use the accrual method of accounting, the same accounting method employed by most private-sector businesses. Under this method, revenues and expenditures may be reported as such even though no cash transaction has actually taken place.

**FINANCIAL HIGHLIGHTS**

The term "net assets" refers to the difference between assets and liabilities. The Commission's total net assets as of March 31, 2008 was \$6,733,843. The net assets increased by \$71,801, an increase of 1.08% over the prior year.

Revenues and contributions for the Commission were \$2,379,252 for the fiscal year ended March 31, 2008. This was a decrease of \$336,736 or 12.4% from the prior year.

Expenses for the Commission were \$2,512,507 for the fiscal year ended March 31, 2008. This was a decrease of \$387,343 or 13.4% from the prior year.

HUD operating grants were \$1,283,377 for the fiscal year ended March 31, 2008. This was a decrease of \$6,615 or 0.5% from the prior year. Capital contributions were \$266,283 for the fiscal year ended March 31, 2008. This was a decrease of \$334,784 from the prior year.

**OVERVIEW OF THE FINANCIAL STATEMENTS**

This annual report contains this *Management & Discussion Analysis* report, the *Basic Financial Statements* and the *Notes to the Financial Statements*. This report also contains the Financial Data Schedule (FDS) as referenced in the section of *Supplemental*

**Muskegon Heights Housing Commission  
Management's Discussion and Analysis (MD&A)  
(Continued)  
March 31, 2008**

**OVERVIEW OF THE FINANCIAL STATEMENTS (CONTINUED)**

*Information.* The Commission's financial statements are presented as fund financial statements because the Commission only has proprietary funds.

**Required Financial Statements**

The *Statement of Net Assets* includes the Commission's assets and liabilities and provides information about the nature and amounts of investments in resources (assets) and obligations of the Commission creditors (liabilities). It also provides the basis for evaluating the liquidity and financial flexibility of the Commission.

All of the current year's revenues and expenses are accounted for in the *Statement of Revenues, Expenses, and Changes in Net Assets*. This statement measures the success of the Commission's operations over the past year and can be used to determine whether the Commission has successfully recovered all its costs through its user fees and other charges, profitability and credit worthiness.

The final required financial statement is the *Statement of Cash Flows*. The statement reports cash receipts, cash payments, and net changes in cash resulting from operations, investing and financing activities and provides answers to such questions as where did cash come from, what was cash used for, and what was the change in the cash balance during the reporting period.

**Notes to the Financial Statements**

The notes provide additional information that is essential to a full understanding of the data provided in the basic financial statements and provide more detailed data.

**Supplemental Information**

This report also contains the Financial Data Schedule (FDS) as referenced in the section of *Supplemental Information*. HUD has established Uniform Financial Reporting Standards that require Housing Commissions to submit financial information electronically to HUD using the FDS format. This financial information was electronically transmitted to the Real Estate Assessment Center (REAC) and is required to be included in the audit reporting package.



**Muskegon Heights Housing Commission  
Management's Discussion and Analysis (MD&A)  
(Continued)  
March 31, 2008**

**FUND STATEMENTS**

The Financial Data Schedule reports the Commission's operations in more detail. The Commission reports all its activities using Enterprise fund types. These funds are used to show activities that operate more like commercial enterprises. The Financial Data Schedule is organized by the government Catalogue of Financial Domestic Assistance (CFDA) numbers.

**Muskegon Heights Housing Commission Programs:**

Low Rent Public Housing: Under this program, the Housing Commission rents units that it owns to low-income elderly and family households. This program is operated under an Annual Contributions Contract with HUD. HUD provides Operating Subsidies to enable the Housing Commission to lease these units at a rate that is based on 30% of the household income.

Capital Fund Program: Under this program, the Housing Commission is awarded funds each year to use for Capital needs. The Housing Commission also has the ability to use up to 50% of these funds, if need be, to supplement Operating Subsidies. This program is the primary funding source for physical improvements to its properties.

Section 8 Housing Choice Voucher Program: Under this program, the Housing Commission administers contracts with independent landlords to provide housing for low-income households. These units are not owned by the Housing Commission. The Housing Commission subsidizes the family's rent via a "Housing Assistance Payment" made directly to the landlord. HUD provides subsidy to the Housing Commission to enable the Housing Commission to set the rental rates at 30% of a participant's income.

**FINANCIAL ANALYSIS**

Net assets may serve, over time, as a useful indicator of a government's financial position. As stated in the following table, assets exceeded liabilities by \$6,733,843 at the close of the fiscal year ended March 31, 2008 an increase from \$6,662,042 in 2007. The increase in net assets of \$71,801 was due to the change in net assets of \$71,801 for the fiscal year.

The unrestricted net assets were \$305,553 as of March 31, 2008. This amount may be used to meet the Commission's ongoing obligations.

**Muskegon Heights Housing Commission  
Management's Discussion and Analysis (MD&A)  
(Continued)  
March 31, 2008**

**FINANCIAL ANALYSIS (CONTINUED)**

The Commission had net assets of \$13,227 classified as restricted that are subject to external restrictions consists of net assets of the Housing Choice Voucher program that are restricted by HUD because of excess funding, but are expendable for HAP payments. At the end of the current fiscal year, the Commission is able to report positive balances in all categories of net assets.

**CONDENSED STATEMENTS OF NET ASSETS  
MARCH 31,**

	<u>2008</u>	<u>2007</u>	<u>Dollar</u> <u>Change</u>	<u>Per Cent</u> <u>Change</u>
Current and other assets	\$ 634,495	\$ 528,144	\$ 106,351	20.14%
Capital assets	<u>7,643,234</u>	<u>7,808,546</u>	<u>( 165,312)</u>	<u>( 2.12)%</u>
Total Assets	<u>8,277,729</u>	<u>8,336,690</u>	<u>( 58,961)</u>	<u>( .71)%</u>
Current liabilities	386,767	475,019	( 88,252)	(18.58)%
Noncurrent liabilities	<u>1,157,119</u>	<u>1,199,629</u>	<u>( 42,510)</u>	<u>( 3.54)%</u>
Total Liabilities	<u>1,543,886</u>	<u>1,674,648</u>	<u>( 130,762)</u>	<u>( 7.81)%</u>
Net Assets:				
Invested in capital assets	6,415,063	6,474,594	( 59,531)	( 0.92)%
Restricted	13,227	71,261	( 58,034)	(81.44)%
Unrestricted	<u>305,553</u>	<u>116,187</u>	<u>189,366</u>	<u>162.98%</u>
Total Net Assets	<u>\$6,733,843</u>	<u>\$6,662,042</u>	<u>\$ 71,801</u>	<u>1.08%</u>

Total current assets increase of \$106,351 was due mostly to the increase in cash of \$70,678 and the net amount of accounts receivable from tenants of \$15,646 over the prior year, respectively.

Current liabilities decreased by \$88,252 from the prior year, due in part, to accounts payable for PILOT of \$25,742 not being paid this year, due to a dispute with the City over curbside garbage collection which the PHA is being forced to pay for contrary to the 1960 Cooperative Agreement between the city and HUD and a deferred revenue of \$26,783 being setup this year for Home Ownership land contracts of \$19,286 and prepaid rent of \$7,977, respectively.

Non-current liabilities decreased by \$53,128 for principal payments on a loan for the installation of water and energy conservation equipment and an increase of \$10,618 in the long-term portion of accrued compensated absences.

**Muskegon Heights Housing Commission  
Management's Discussion and Analysis (MD&A)  
(Continued)  
March 31, 2008**

**FINANCIAL ANALYSIS (CONTINUED)**

The largest portion of the Commission's net assets reflects its investment in capital assets (e.g. land, buildings, equipment, and construction in progress) less accumulated depreciation. The Commission uses these capital assets to provide service and consequently these assets are not available to liquidate liabilities or other spending.

While the Statement of Net Assets shows the change in financial position of net assets, the Statements of Revenues, Expenses, and Changes in Net Assets provides answers as to the nature and source of these changes.

As can be seen in the following table total revenues and contributions decreased by \$336,736, in large part, due to the federal HUD grants decreasing by \$341,399 from the prior year. Tenant and nondwelling rents increased by \$19,849 due to increases in tenant incomes. Interest income increased by \$6,912 due to interest rate increases and cash increases. Other income decreased by \$22,098 due to not being allowed to lease towers on our buildings anymore.

**CONDENSED STATEMENTS OF REVENUES, EXPENSES,  
AND CHANGES IN NET ASSETS  
MARCH 31,**

	<u>2008</u>	<u>2007</u>	<u>Dollar</u> <u>Change</u>	<u>Per</u> <u>Cent</u> <u>Change</u>
<b>Revenues and contributions</b>				
Operating, nonoperating, capital contributions:				
Tenant Revenue	\$ 776,061	\$ 678,664	\$ 97,397	14.4%
Nondwelling rent	<u>2,514</u>	<u>80,062</u>	( 77,548)	(96.9)%
Total PHA generated				
Revenue	778,575	758,726	19,849	2.6%
HUD operating grants	1,283,377	1,289,992	( 6,615)	( 0.5)%
Capital contributions	266,283	601,067	( 334,784)	(55.7)%
Other income	37,967	60,065	( 22,098)	(36.8)%
Interest income	<u>13,050</u>	<u>6,138</u>	<u>6,912</u>	112.6%
<b>Total Revenues and Contributions</b>	<u>2,379,252</u>	<u>2,715,988</u>	( 336,736)	(12.4)%

**Muskegon Heights Housing Commission  
Management's Discussion and Analysis (MD&A)  
(Continued)  
March 31, 2008**

**FINANCIAL ANALYSIS (CONTINUED)**

**CONDENSED STATEMENTS OF REVENUES, EXPENSES,  
AND CHANGES IN NET ASSETS  
MARCH 31,**

	<u>2008</u>	<u>2007</u>	<u>Dollar</u> <u>Change</u>	<u>Per</u> <u>Cent</u> <u>Change</u>
<b>Expenses</b>				
Personnel services	528,404	486,138	42,266	8.7%
Utilities	525,531	444,657	80,874	18.2%
Operations and maintenance	330,714	442,447	( 111,733)	(25.3)%
Insurance	147,213	145,735	1,478	1.0%
Other supplies and expenses	225,777	240,540	( 14,763)	( 6.1)%
Protective services	38,590	38,400	190	0.5%
Housing Assistance Payments	222,314	160,078	62,236	38.9%
Depreciation	436,595	859,788	( 423,193)	(49.2)%
Interest expense	<u>57,369</u>	<u>109,496</u>	<u>( 52,127)</u>	<u>(47.6)%</u>
<b>Total Expenses</b>	<u>2,512,507</u>	<u>2,927,279</u>	<u>( 414,772)</u>	<u>(14.2)%</u>
Change in net assets	( 133,255)	( 211,291)	78,036	
Prior period adjustment	205,056	( 3,122)	208,178	
Beginning net assets	<u>6,662,042</u>	<u>6,876,455</u>	<u>( 214,413)</u>	
Ending net assets	<u>\$6,733,843</u>	<u>\$6,662,042</u>	<u>\$ 71,801</u>	

**Revenues:**

Muskegon Heights Housing Commission's primary revenue sources are subsidies and grants received by HUD. Please note that Capital Fund Program grants are classified as either soft cost revenue or hard cost revenue. Revenue received from HUD for fiscal year ended March 31, 2008 for Public Housing, the Housing Choice Voucher, and Capital Fund programs decreased from the prior fiscal year by \$341,399, due in large part, to not spending the entire 2006 capital fund grant allowed in the amount of \$369,074. For fiscal year ending March 31, 2008, revenue generated by the Commission accounted for \$758,575 (or 31.2% of total revenue), while HUD contributions accounted for \$1,549,660 (or 65.1% of total revenue).

**Muskegon Heights Housing Commission  
Management's Discussion and Analysis (MD&A)  
(Continued)  
March 31, 2008**

**FINANCIAL ANALYSIS (CONTINUED)**

*Expenses:*

Total expenses for the fiscal year ending March 31, 2007 were \$2,927,279 while for the fiscal year ending March 31, 2008 was \$2,512,507, or a \$414,772 decrease. This represents a 14.2% decrease in our operating costs. The expenses decreased, in large part, because of the interest expense decreasing by \$52,127 due to the loan being less than the prior year and the prior year included some initial costs, depreciation decreased by \$423,193 due to several capital assets being fully depreciated, Housing Assistance Payments to landlords increased by \$62,236 because the tenants incomes were less than the prior year, other supplies and expenses decreased by \$14,763 due to various sundry items being less, operations and maintenance decreased by \$111,733 due to using more of our own maintenance employees versus contracting out work, utilities increased \$80,874 due to higher gas rates, and finally personnel services increased by \$42,266 due to cost of living raises and employee benefit inflation increases.

The following represents changes in Federal Assistance received:

	<u>03/31/08</u>	<u>03/31/07</u>	<u>Dollar Change</u>	<u>Per Cent Change</u>
Public Housing				
Operating Subsidy	\$1,010,762	\$ 946,870	\$ 63,892	6.7%
Capital Fund Program				
Grants	374,462	696,393	( 321,931)	(46.2)%
Sec. 8 Voucher	<u>164,436</u>	<u>247,796</u>	<u>( 83,360)</u>	<u>(33.6)%</u>
Total	<u>\$1,549,660</u>	<u>\$1,891,059</u>	<u>\$ ( 341,399)</u>	<u>(18.1)%</u>

The above chart is segregated as to the Program source of funds, not the use of funds. The subsidy for Section 8 decreased by \$83,360 due to HUD's funding policy. The subsidy for Public Housing increased due to the Housing Commission being classified as a "gainer" and therefore received extra funding. The decrease in the Capital Fund Program was due to the fact that the use of capital fund monies were not used as much as could be, so that more would be available for a future kitchen renovation project.

*Budget Analysis:*

A Low Rent Public Housing Operating Budget for the fiscal year ending March 31, 2008 was presented to and approved by the Board of Commissioners. We had no reason to amend the budget during the fiscal year. Actual results were in line with budgeted amounts.

**Muskegon Heights Housing Commission  
Management's Discussion and Analysis (MD&A)  
(Continued)  
March 31, 2008**

**OPERATIONAL HIGHLIGHTS**

The Muskegon Heights Housing Commission provided the following housing for low-income elderly and low-income families:

	March 31, 2008	March 31, 2007
Low Rent Public Housing	346	346
Sec. 8 Housing Choice Voucher	50	50

During the fiscal year ending March 31, 2008, Muskegon Heights Housing Commission maintained a lease-up rate of 96.1% in its Public Housing Program and a lease-up rate of 94.0% in its Section 8 program.

The Muskegon Heights Housing Commission is designated a Standard performer but Troubled financially. Efforts to lift the PHA out of the Troubled status have fallen short in the financial area where a score between 18-30 is required to not be classified as Troubled by HUD. Also, recently the Housing Commission learned that it will receive an additional subsidy amount of \$1,044,550 for the third quarter of 2008, an increase of \$1,044,550 over what we were originally authorized to receive. This extra money, the result of the PHA being a "Gainer" under the REAC Asset Management setup, should help us get out of the "Troubled" status.

The Muskegon Heights Housing Commission continues to press forward in our efforts to improve our occupancy rate, unit turn around rate and our Tenants Accounts Receivables.

**CAPITAL ASSETS**

**CAPITAL ASSETS  
NET OF ACCUMULATED DEPRECIATION  
MARCH 31,**

	2008	2007	Dollar Change
Land	\$ 1,683,588	\$ 1,402,031	\$ 281,557
Buildings	18,692,648	17,947,289	745,359
Furniture, equipment and machinery - dwellings	69,556	69,556	
Furniture, equipment and machinery - admin.	198,605	198,604	1
Building improvements		281,557	( 281,557)
Construction in progress	623,161	1,097,238	( 474,077)
	21,267,558	20,996,275	271,283
Accumulated depreciation	(13,624,324)	(13,187,729)	( 436,595)
Total	<u>\$ 7,643,234</u>	<u>\$ 7,808,546</u>	<u>\$ ( 165,312)</u>

**Muskegon Heights Housing Commission  
Management's Discussion and Analysis (MD&A)  
(Continued)  
March 31, 2008**

**CAPITAL ASSETS (CONTINUED)**

Capital assets decreased by \$165,312, because capital outlays were \$271,283 and depreciation was \$436,595.

Some of the capital improvements this fiscal year, include the following: Replace bathroom exhaust fans and light fixtures and repair fan vents; hiring a professional to perform maintenance management assessments; installation of a camera system; replaced door handles and dead bolts; flooring improvements; clean cooling tower and replace pumps; the purchase of a floor machine and buffer; the purchase of refrigerators and gas ranges; training; the purchase of furnaces; water heaters and duct cleaning, respectively.

For the fiscal year ending March 31, 2009, the Housing Commission is planning on installing vandal proof window screens in 250 Townhouse units, remove existing patio doors and replace them with a small window and a regular steel entry door and a steel screen door on 50 units; Architect/Engineering service to eliminate water seeping into basements of townhouse units, add new masonry lean to & masonry enclosure for each buildings electrical service bank, reroute electrical lines into building, water proof basement walls; install window treatments (mini blinds) in all apartments; and eliminate in ground water meter pit @ high rise & construct a building to house water meters & pumps above ground, installing backflow preventer, respectively.

**DEBT ACTIVITY**

An installment purchase agreement was signed and dated August 19, 2005 by and between the Housing Commission with the Water & Energy Savings Corporation(WESC) of Lake Lure, North Carolina and the Bank of the Ozarks as the assignee.

The Housing Commission agreed to purchase and WESC agreed to sell and provide the Housing Commission certain water and energy conservation equipment to be installed in public housing facilities operated by the Housing Commission for the sum of \$1,406,980.

**Muskegon Heights Housing Commission  
Management's Discussion and Analysis (MD&A)  
(Continued)  
March 31, 2008**

**ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES**

The Housing Commission is primarily dependent upon HUD for the funding of operations as well as capital needs. Therefore, the Housing Commission is affected more by the Federal Budget than by local economic conditions. The funding of programs could be significantly affected by the Federal Budget.

Although the Housing Commission remains concerned about the future levels of HUD funding due to the state of the federal budget, we feel that we are both financially and operationally in a strong position to continue to provide safe, sanitary, and decent housing to our residents.

**REQUEST FOR INFORMATION**

This financial report is designed to provide a general overview of the Commission's finances for all those with an interest in its finances. Questions or comments concerning any of the information contained in this report or request for additional information should be directed to:

McKinley V. Copeland, Executive Director  
Muskegon Heights Housing Commission  
615 E. Hovey Avenue  
Muskegon Heights, MI 49444



## FINANCIAL STATEMENTS

MUSKEGON HEIGHTS HOUSING COMMISSION

STATEMENT OF NET ASSETS

March 31, 2008

=====

ASSETS

Current Assets:

Cash	\$	474,837
Cash-restricted		13,227
Receivables:		
Tenants		17,371
Allowance for doubtful accounts	(	1,676)
Investments		121,077
Prepaid expenses		9,159
Inventories		<u>500</u>

Total Current Assets		<u>634,495</u>
----------------------	--	----------------

Capital Assets:

Land		1,683,588
Buildings		18,692,648
Equipment		268,161
Construction in progress		<u>623,161</u>
		21,267,558
Less: accumulated depreciation		<u>(13,624,324)</u>

Net Capital Assets		<u>7,643,234</u>
--------------------	--	------------------

Total Assets	\$	<u>8,277,729</u>
--------------	----	------------------

See notes to financial statements

MUSKEGON HEIGHTS HOUSING COMMISSION  
STATEMENT OF NET ASSETS (CONTINUED)  
March 31, 2008  
=====

**LIABILITIES and NET ASSETS**

Current Liabilities:	
Accounts payable	\$ 64,197
Accounts payable-other government	153,921
Tenant security deposit liability	26,783
Accrued expenses	7,224
Deferred revenues	27,263
Current portion of long-term debt	106,040
Other current liabilities	<u>1,339</u>
Total Current Liabilities	<u>386,767</u>
Noncurrent liabilities:	
Long-term debt, net of current	1,122,131
Accrued compensated absences	<u>34,988</u>
Total Noncurrent Liabilities	<u>1,157,119</u>
Total Liabilities	<u>1,543,886</u>
Net Assets:	
Invested in capital assets	6,415,063
Restricted net assets	13,227
Unrestricted net assets	<u>305,553</u>
Total Net Assets	<u>6,733,843</u>
Total Liabilities and Net Assets	<u>\$ 8,277,729</u>

See notes to financial statements

MUSKEGON HEIGHTS HOUSING COMMISSION  
STATEMENT OF REVENUES, EXPENSES, AND  
CHANGES IN NET ASSETS

Year Ended March 31, 2008

=====

**OPERATING REVENUES:**

Dwelling rent	\$ 776,061
Nondwelling rent	2,514
Operating grants	<u>1,283,377</u>

Total operating revenues	<u>2,061,952</u>
--------------------------	------------------

**OPERATING EXPENSES:**

Administration	444,986
Tenant services	24,972
Utilities	525,531
Ordinary maintenance and operation	552,668
Protective services	38,590
General expenses	209,482
Interest expense	57,369
Housing assistance payments	222,314
Depreciation	<u>436,595</u>

Total operating expenses	<u>2,512,507</u>
--------------------------	------------------

Operating income(loss)	<u>( 450,555)</u>
------------------------	-------------------

**NONOPERATING REVENUES:**

Investment interest income	13,050
Other income	<u>37,967</u>

Total nonoperating revenues	<u>51,017</u>
-----------------------------	---------------

Income(loss) before contributions	( 399,538)
-----------------------------------	------------

**CAPITAL CONTRIBUTIONS**

	<u>266,283</u>
--	----------------

Change in net assets	( 133,255)
----------------------	------------

Prior period adjustment	205,056
-------------------------	---------

Net assets, beginning	<u>6,662,042</u>
-----------------------	------------------

Net assets, ending	<u><u>\$ 6,733,843</u></u>
--------------------	----------------------------

See notes to financial statements

MUSKEGON HEIGHTS HOUSING COMMISSION  
**STATEMENT OF CASH FLOWS**  
Year Ended March 31, 2008  
=====

**CASH FLOWS FROM OPERATING ACTIVITIES:**

Cash received from dwelling and nondwelling rents	\$ 765,715
Cash received from operating grants	1,250,412
Cash payments to other suppliers of goods and services	(1,500,795)
Cash payments to employees for services	<u>( 540,598)</u>
Net cash (used) by operating activities	<u>( 25,266)</u>

**CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:**

Tenant security deposits	( 7,481)
Other revenue	<u>37,967</u>
Net cash provided by noncapital financing activities	<u>30,486</u>

**CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:**

Payments of principal on loans	( 105,781)
Capital grants	266,283
Payments for capital acquisitions	<u>( 66,227)</u>
Net cash provided by capital and related financing activities	<u>94,275</u>

**CASH FLOWS FROM INVESTING ACTIVITIES:**

Investments increased by	( 121,077)
Receipts of interest and dividends	<u>13,050</u>
Net cash (used) by investing activities	<u>( 108,027)</u>

Net increase(decrease) in cash ( 8,532)

Cash, beginning 496,596

Cash, ending \$ 488,064

MUSKEGON HEIGHTS HOUSING COMMISSION  
STATEMENT OF CASH FLOWS (CONTINUED)  
Year Ended March 31, 2008  
=====

RECONCILIATION OPERATING INCOME(LOSS)  
TO NET CASH PROVIDED BY OPERATING  
ACTIVITIES:

Operating income(loss)	\$( 450,555)
Adjustments to reconcile operating (loss) to net cash provided(used) by operating activities:	
Depreciation	436,595
Bad debt allowance adjustment	( 2,786)
Changes in assets and liabilities:	
(Increase) decrease in assets:	
Accounts receivable-tenants	( 12,860)
Prepaid expenses	21,840
Increase (decrease) in liabilities:	
Accounts payable	2,951
Accrued compensated absences	( 14,567)
Other current liabilities	1,339
Deferred revenues	( 32,965)
Accounts payable-PILOT	<u>25,742</u>
Net cash (used) by operating activities	<u><u>\$( 25,266)</u></u>

See notes to financial statements

MUSKEGON HEIGHTS HOUSING COMMISSION  
NOTES TO BASIC FINANCIAL STATEMENTS  
March 31, 2008  
=====

**NOTE 1: Summary of Significant Accounting Policies**

The Muskegon Heights Housing Commission (the Housing Commission) is an autonomous quasi government entity. The Housing Commission is a Public Housing Agency created by the City of Muskegon Heights in 1941, consisting of a five member board appointed by the City of Muskegon Heights City Mayor and charged with the responsibility to provide low-rent housing, under the low rent program Annual Contributions Contract for qualified individuals in accordance with the rules and regulations prescribed by the Department of Housing and Urban Development and other Federal agencies.

The Housing Commission complies with U.S. generally accepted accounting principles (GAAP). GAAP includes all relevant Governmental Accounting Standards Board (GASB) pronouncements. In the financial statements for the proprietary fund, Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, have been applied unless those pronouncements conflict with or contradict GASB pronouncements, in which case, GASB prevails. For enterprise funds, GASB Statement Nos. 20 and 34 provide the Housing Commission the option of electing to apply FASB pronouncements issued after November 30, 1989, except for those that conflict with or contradict a GASB pronouncement. The Housing Commission has elected not to apply those pronouncements. The accounting and reporting framework and the more significant accounting policies are discussed in subsequent subsections of this Note.

**1(a) Financial Reporting Entity**

The Housing Commission's financial reporting entity comprises the following:

Primary Government:	Housing Commission
---------------------	--------------------

In determining the financial reporting entity, the Housing Commission complies with the provisions of GASB Statement No. 14 as amended by GASB No. 39, "The Financial Reporting Entity", and includes all component units, if any, of which the Housing Commission appointed a voting majority of the units' board; the Housing Commission is either able to impose its will on the unit or a financial benefit or burden relationship exists. There are no agencies, organizations or activities meeting this criteria.

## **1(b) Basis of Presentation**

Financial statements of the reporting entity's programs are organized and reported as an enterprise fund and are accounted for by providing a set of self-balancing accounts that constitute its assets, liabilities, fund equity, revenues, and expenditures/expenses. Enterprise funds are used to account for business-like activities provided to its tenants. These activities are financed primarily by user charges and/or Federal funding and the measurement of financial activity focuses on net income measurement similar to the private sector. The reporting entity includes all of the Housing Commission's programs as an enterprise fund.

Following is a description of the Housing Commission's programs:

<b>Program</b>	<b>Brief Description</b>
Low Rent	Accounts for activities of the Public and Indian Housing program which HUD provides an annual subsidy to help public housing agencies (PHAs) pay some of the cost of operating and maintaining public housing units.
Capital Fund Program	Accounts for activities of the Capital Fund which provides funds to housing authorities to modernize public housing developments.
Housing Choice Vouchers	Accounts for activities of the Voucher program which assists very low income families, the elderly, and the disabled to afford decent, safe and sanitary housing in the private market.

## **1(c) Measurement Focus and Basis of Accounting**

Measurement focus is a term used to describe "which" transactions are recorded within the various financial statements. Basis of accounting refers to "when" transactions are recorded regardless of the measurement focus applied.

### **Measurement Focus**

In the financial statements, the "economic resources" measurement focus is used as follows:

The proprietary fund utilizes an "economic resources" measurement focus. The accounting objectives of this measurement focus are the determination of operating income, changes in net assets (or cost recovery), financial position, and cash flows. All assets and liabilities (whether current



### **1(c) Measurement Focus and Basis of Accounting (Continued)**

or noncurrent) associated with their activities are reported. Proprietary fund equity is classified as net assets.

#### **Basis of Accounting**

In the financial statements, the proprietary fund utilizes the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used.

### **1(d) Assets, Liabilities, and Equity**

#### **Cash and Investments**

For the purpose of the Statement of Net Assets, "cash and cash equivalents" includes all demand, savings accounts, and certificates of deposits or short-term investments with an original maturity of three months or less. For the purpose of the Statement of Cash Flows, "cash and cash equivalents" include all demand and savings accounts, and certificates of deposit or short-term investments with an original maturity of three months or less.

Investments are carried at fair value except for short-term U.S. Treasury obligations, if any, with a remaining maturity at the time of purchase of one year or less. Those investments, if any, are reported at amortized cost. Fair value is based on quoted market price. Additional cash and investment disclosures are presented in Note 2(b) and 3(a).

#### **Interprogram Receivables and Payables**

During the course of operations, numerous transactions occur within individual programs that may result in amounts owed between these programs. Offsetting interprograms are eliminated for financial statement presentation.

#### **Receivables**

Receivables consist of all revenues earned at year-end and not yet received. Tenant accounts receivable, accrued interest receivable and accounts receivable from U.S. Department of Housing and Urban Development compose the majority of receivables. Allowances for uncollectible accounts receivable are based upon historical trends and the periodic aging of accounts receivable.

#### **Inventories**

Inventories are valued at average cost, and consist of expendable supplies held for consumption. The cost of inventories are recorded as expenditures when consumed, rather than when purchased.

## **1(d) Assets, Liabilities, and Equity (Continued)**

### **Insurance**

The premiums on all major insurance policies are charged to prepaid insurance and amortized over the life of the policy.

### **Budgets and Budgetary Accounting**

The Housing Commission adopts a formal operating budget each year for its operating programs and on a project length basis for its capital expenditures which are approved by the Board of Commissioners and submitted to the Department of Housing and Urban Development for their approval, if required.

### **Estimates and Assumptions**

The Housing Commission uses estimates and assumptions in preparing financial statements. These estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and reported revenues and expenses.

### **Capital Assets**

The accounting treatment over property, plant, and equipment (capital assets) is as follows:

In the financial statements, capital assets purchased or acquired with an original cost of \$500 or more are accounted for as capital assets. All capital assets are valued at historical cost, or estimated historical cost if actual is unavailable, except for donated capital assets which are recorded at their estimated fair value at the date of donation.

Depreciation of all exhaustible capital assets are recorded as an allocated expense depending on the program where the asset is shown, in the Statement of Revenues, Expenses and Changes in Net Assets, with accumulated depreciation reflected in the Statement of Net Assets. Depreciation is provided over the assets' estimated useful lives using the straight-line method of depreciation. The range of estimated useful lives by type of asset is as follows:

Buildings	40 years
Building and land improvements	15 years
Automotive and computers	5 years
Furniture, equipment and machinery	10 years

## **1(d) Assets, Liabilities, and Equity (Continued)**

### **Compensated Absences**

The Housing Commission's policies regarding vacation time permit employees to accumulate earned but unused vacation leave. The liability for these compensated absences is recorded as short-term and long-term liabilities based on historical trends. In accordance with the provisions of GASB Statement No. 16, no liability is recorded for non-vesting accumulating rights to receive sick pay benefits.

### **Equity Classifications**

Equity is classified as net assets and displayed in two components:

- a. Invested in capital assets, net of related debt - Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowing that are attributable to the acquisition, construction, or improvement of those assets.
- b. Unrestricted net assets - All other net assets that do not meet the definition of "restricted" or "invested in capital assets, net of related debt".
- c. Restricted net assets - Consists of net assets of the Housing Choice Voucher Program that are restricted by HUD because of excess funding, but are expendable for HAP payments.

## **1(e) Revenues, Expenditures, and Expenses**

### **Operating Revenues and Expenses**

Operating revenues and expenses are those that result from providing services and delivering goods and/or services. It also includes all revenue and expenses not related to capital and related financing, noncapital financing, or investing activities.

Non-operating revenues and expenses are those that are not operating in nature.

### **Interfund Transfers**

For the purposes of the Statement of Revenues, Expenses, and Changes in Net Assets, all interfund transfers between individual programs, if any, have been eliminated.

## **1(e) Revenues, Expenditures, and Expenses (Continued)**

### **Post Employment Benefits**

The provision for pension cost is recorded on an accrual basis, and the Commission's policy is to fund pension costs as they accrue.

### **Income Taxes**

As a component unit of a Michigan City, the Housing Commission is exempt from federal and state income taxes. The Housing Commission has no unrelated business income.

## **NOTE 2: Stewardship, Compliance, and Accountability**

The Housing Commission and its component units, if any, are subject to various federal, state, and local laws and contractual regulations. An analysis of the Housing Commission's compliance with significant laws and regulations and demonstration of its stewardship over Housing Commission resources follows.

### **2(a) Program Accounting Requirements**

The Housing Commission complies with all state and local laws and regulations requiring the use of separate programs. The programs used by the Housing Commission are as follows:

<b>Program</b>	<b>Required By</b>
Public and Indian Housing	U.S. Department of HUD
Housing Choice Vouchers	U.S. Department of HUD
Capital Fund Program	U.S. Department of HUD

### **2(b) Deposits and Investments Laws and Regulations**

In accordance with state law, all uninsured deposits of the Housing Commission in financial institutions must be secured with acceptable collateral valued at the lower of market or par. All financial institutions pledging collateral to the Housing Commission must have a written Depository Agreement. As reflected in Note 3(a), all deposits were fully insured or collateralized.

Investments of the Housing Commission are limited by state law to the following:

- a. Direct obligations of the U.S. Government or its agencies or instrumentalities to which acceptable collateral is pledged.
- b. Certificates of deposit or savings accounts that are either insured or secured with acceptable collateral.

## 2(c) Revenue Restrictions

The Housing Commission has various restrictions placed over certain revenue sources. The primary restricted revenue sources include:

Revenue Source	Legal Restrictions of Use
Capital Fund Program	Modernization

For the year ended March 31, 2008, the Housing Commission complied, in all material respects, with these revenue restrictions.

## NOTE 3: Detail Notes on Transactions Classes/Accounts

The following notes present detail information to support the amounts reported in the basic financial statements for its various assets, liabilities, equity, revenues, and expenditures/expenses.

### 3(a) Cash and Investments

#### Deposits

The Housing Commission's policies regarding deposits of cash are discussed in Note 1(d). The table presented below is designed to disclose the level of custody credit risk assumed by the Housing Commission based upon how its deposits were insured or secured with collateral at March 31, 2008. The categories of credit risk are defined as follows:

Category 1 - Insured by FDIC or collateralized with securities held by the Housing Commission (or public trust) or by its agent in its name.

Category 2 - Uninsured but collateralized with securities held by the pledging financial institution's trust department or agent in the Housing Commission's name.

Category 3 - Uninsured and uncollateralized; or collateralized with securities held by the pledging financial institution, or by its trust department or agent but not in the Housing Commission's name; or collateralized with no written or approved collateral agreement.

	Total Bank Balance	Custody Credit Risk			Total Carrying Value
		Category 1	Category 2	Category 3	
Demand deposits	\$ 502,927	\$329,275	\$173,652	\$	\$ 393,753
Savings	94,136	94,136			94,136
	<u>\$ 597,063</u>	<u>\$423,411</u>	<u>\$173,652</u>	<u>\$</u>	<u>\$ 487,889</u>

### 3(a) Cash and Investments (Continued)

#### Investments

The Housing Commission's policies and applicable laws regarding investments are discussed in Note 1(d) and 2(b). The table presented below is designed to disclose the level of market risk and custody credit risk assumed by the Housing Commission (or public trust) based upon whether the investments are insured or registered and upon who holds the security at March 31, 2008. The categories of credit risk are defined as follows:

Category 1 - Insured or registered with securities held by the Housing Commission or its agent in the Housing Commission's name.

Category 2 - Uninsured and unregistered with securities held by counterparty's trust department or agent in the Housing Commission's name.

Category 3 - Uninsured and unregistered with securities held by the counterparty or by its trust department or agent but not in the Housing Commission's name.

	<u>Custody Credit Risk</u>			<u>Carrying Amount</u>	<u>Fair Value</u>
	<u>Category 1</u>	<u>Category 2</u>	<u>Category 3</u>		
Sweep account	<u>\$121,077</u>	<u>\$</u>	<u>\$</u>	<u>\$ 121,077</u>	<u>\$121,077</u>

A reconciliation of cash as shown on the combined statement of net assets is as follows:

Cash on hand	\$ 175
Carrying amount of deposits	<u>608,966</u>
Total	<u>\$ 609,141</u>
Cash and investments:	
Enterprise activities	\$ 718,314
Enterprise activities - checks written in excess of deposits	<u>( 109,173)</u>
Total	<u>\$ 609,141</u>

### 3(b) Accounts Receivable

Receivables detail at March 31, 2008, is as follows:

Tenant accounts receivable	\$ 17,371
Allowance for doubtful accounts	<u>( 1,676)</u>
	<u>\$ 15,695</u>

### 3(c) Capital Assets

Capital asset activity for the year ended March 31, 2008, was as follows:

	<u>Balance 03/31/07</u>	<u>Additions/ Transfers</u>	<u>Retirements/ Transfers</u>	<u>Balance 03/31/08</u>
<b>Low Rent Program</b>				
Land	\$ 1,402,031	\$ 281,557	\$	\$ 1,683,588
Buildings	17,947,289	745,359		18,692,648
Furniture, equip. & machinery - dwellings	69,556			69,556
Furniture, equip. & machinery - administration	198,604	1		198,605
Building improvements	<u>281,557</u>	<u>19,899,037</u>	<u>281,557</u>	<u>20,644,397</u>
Less accumulated depreciation	<u>(13,187,729)</u>	<u>\$ ( 436,595)</u>	<u>\$</u>	<u>(13,624,324)</u>
Total	<u>\$ 6,711,308</u>			<u>\$ 7,020,073</u>
<b>Capital Fund Program</b>				
Construction in progress	<u>\$ 1,097,238</u>	<u>\$</u>	<u>\$ 474,077</u>	<u>\$ 623,161</u>
<b>Combined Totals</b>				<u>\$ 7,643,234</u>

Depreciation expense was charged to functions/programs of the government as follows:

Business-type activities:	
Low Rent Program	<u>\$ 436,595</u>

### 3(d) Accounts payable

Payable detail at March 31, 2007, is as follows:

Accounts payable - vendors	<u>\$ 64,197</u>
----------------------------	------------------

### 3(e) Accrued Expenses

Accrued expense detail at March 31, 2008, is as follows:

Accrued compensated absences-current portion	<u>\$ 7,224</u>
--	-----------------

### 3(f) Non-current Liabilities

As of March 31, 2008, the non-current liabilities are comprised of the following:

Long-term debt, net of current	\$1,122,131
Accrued compensated absences - noncurrent portion	<u>34,988</u>
	<u>\$1,157,119</u>

### 3(g) Interprogram Transactions and Balances

#### *Operating Transfers*

There was an operating transfer of \$108,179 from the capital fund program to the low rent program during the fiscal year ended March 31, 2008.

#### *Interprogram Receivable/Payable*

Low Rent Program	\$( 59,157)
Housing Choice Voucher Program	<u>59,157</u>
	<u>\$</u>

### 3(h) Long-term Debt

An installment purchase agreement was signed and dated August 19, 2005 by and between the Muskegon Heights Housing Commission(MHHC) with the Water & Energy Savings Corporation(WESC) of Lake Lure, North Carolina and the Bank of the Ozarks as the assignee.

The MHHC agreed to purchase and WESC agreed to sell and provide the MHHC certain water and energy conservation equipment to be installed in public housing facilities operated by MHHC for the sum of \$1,406,980. The purchase price is payable in quarterly payments of principal and interest on each May 19, August 19, November 19, and February 19, commencing May 19, 2006 and ending on May 19, 2017. The interest rate is at 4.436% with the quarterly payments of principal and interest at \$39,673.13.

Debt principal requirements for the ensuing five-year period are as follows:

<u>Fiscal Year</u>	<u>Interest</u>	<u>Principal</u>	<u>Total</u>
3/31/09	\$ 52,652	\$ 106,040	\$ 158,692
3/31/10	47,729	110,964	158,693
3/31/11	42,570	116,122	158,692
3/31/12	37,172	121,521	158,693
3/31/13	31,523	127,170	158,693
Thereafter	<u>64,605</u>	<u>646,354</u>	<u>710,959</u>
	<u>\$ 276,251</u>	<u>\$ 1,228,171</u>	<u>\$ 1,504,422</u>



### 3(h) Long-term Debt (Continued)

Long-term liability activity for the year ended March 31, 2008, was as follows:

	Beginning Balance	Additions (Reductions)	Ending Balance	Due Within One Year
Note payable	<u>\$1,333,952</u>	<u>\$ ( 105,781)</u>	<u>\$1,228,171</u>	<u>\$ 106,040</u>

### NOTE 4: Other Notes

#### 4(a) Employee Retirement Plan

Each employee is covered under a defined benefit plan with the Michigan Municipal Employees Retirement System (MERS) that provides for annual employer contributions with complete vesting after 10 years of service and normal retirement age at 60 years of age. At December 31, 2007, the date of the last completed actuarial evaluation, the Housing Commission's present value of accrued benefits (PVAB) was \$630,150. The valuation of assets to meet this obligation was \$798,419, therefore the overfunded (PVAB) is \$168,269. The Housing Commission computed employer contributions as a percentage of payroll of 4.44% for the fiscal year beginning April 1, 2008. The estimated employer retirement contributions will be \$15,252 for the fiscal year beginning April 1, 2008. There are ten(10) active members, one(1) vested former member, and two(2) retirees and beneficiaries.

#### 4(b) Risk Management

The Housing Commission is exposed to various risks of loss related to torts; theft of, damage to, or destruction of assets; errors and omissions; injuries to employees; employees health and life; and natural disasters. The Housing Commission manages these various risks of loss as follows:

Type of Loss	Method Managed
a. Injuries to employees (workers' compensation)	Purchased with the Michigan Municipal League.
b. Commercial property	Purchased commercial insurance from Housing Insurance Services, Inc.
c. Commercial liability	Purchased commercial insurance from Housing Authority Risk Retention Group.
d. Health	Purchased insurance with Priority Health.

#### 4(b) Risk Management (Continued)

Management believes such coverage is sufficient to preclude any significant uninsured losses to the Housing Commission. Settled claims have not exceeded this insurance coverage in any of the past three fiscal years.

#### 4(c) Commitments and Contingencies

##### Commitments - Construction

At March 31, 2008, the Housing Commission had the following pending construction projects in progress:

	<u>Funds Approved</u>	<u>Funds Expended - Project to Date</u>
2003 CFP	\$ 634,705	\$ 634,705
2005 CFP	712,610	712,610
2006 CFP	685,437	316,363
2007 CFP	695,668	-
2008 CFP	683,442	-

##### Contingencies

The Housing Commission is subject to possible examination by Federal and State authorities who determine compliance with terms, conditions, laws and regulations governing other grants given to the Housing Commission in the current and prior years. No significant violations of finance-related legal or contractual provisions occurred.

#### 4(d) Prior Period Adjustments, Equity Transfers and Correction of Errors

##### Low Rent Program

Equity transfers:	
CFP program transfer	<u>\$ 1,016,677</u>

##### Capital Fund Program

Equity transfers:	
Transfer CFP to low rent	\$ (1,016,677)
Prior period adjustment:	
Reinstated prior year soft cost in grant program	<u>205,056</u>
	<u>\$ ( 811,621)</u>

**NOTE 5: Scatter Site Homes**

During the fiscal year ended March 31, 2008, the Housing Commission did not sell any scatter site homes, but did demolish three houses. There are three homes left that the Housing Commission is leasing and are subsidized. The Housing Commission is awaiting to hear from HUD if these homes can be sold. The basis of the three homes are classified in capital assets until HUD makes a decision that these are assets held for sale.

**NOTE 6: Segment Information**

The Housing Commission maintains one Enterprise Fund that includes three separate programs which provide housing assistance and grant programs. Segment information for the year ended March 31, 2008, was as follows:

	<u>Low Rent Program</u>	<u>Capital Fund Program</u>	<u>Housing Choice Voucher Program</u>
<b>Condensed Statement of Net Assets</b>			
Current assets	\$ 549,582	\$	\$ 144,070
Capital assets	<u>7,020,073</u>	<u>623,161</u>	
Total assets	<u>\$ 7,569,655</u>	<u>\$ 623,161</u>	<u>\$ 144,070</u>
Current liabilities	\$ 442,077	\$	\$ 3,847
Noncurrent liabilities	<u>1,157,119</u>		
Total liabilities	<u>1,599,196</u>		<u>3,847</u>
Net assets:			
Invested in capital assets	5,791,902	623,161	
Restricted net assets			13,227
Unrestricted net assets	<u>178,557</u>		<u>126,996</u>
Total net assets	<u>5,970,459</u>	<u>623,161</u>	<u>140,223</u>
Total liabilities & net assets	<u>\$ 7,569,655</u>	<u>\$ 623,161</u>	<u>\$ 144,070</u>

**NOTE 6: Segment Information (Continued)**

	<u>Low Rent Program</u>	<u>Capital Fund Program</u>	<u>Housing Choice Voucher Program</u>
<b>Condensed Statement of Activities</b>			
Dwelling and nondwelling rents	\$ 778,575	\$	\$
Operating grants	1,010,762	108,179	164,436
Depreciation	( 436,595)		
Other operating expenses	<u>(1,832,876)</u>		<u>(243,036)</u>
Operating (loss)	( 480,134)	108,179	( 78,600)
Nonoperating revenues:			
Operating transfers in(out)	108,179	( 108,179)	
Investment earnings	10,987		2,063
Other income	37,967		
Capital grants		<u>266,283</u>	
Change in net assets	( 323,001)	266,283	( 76,537)
Prior period adjustments		205,056	
Equity transfers	1,016,677	(1,016,677)	
Beginning net assets	<u>5,276,783</u>	<u>1,168,499</u>	<u>216,760</u>
Ending net assets	<u>\$ 5,970,459</u>	<u>\$ 623,161</u>	<u>\$ 140,223</u>
<b>Condensed Statement of Cash Flows</b>			
Net cash provided(used) by:			
Operating activities	\$ 4,872	\$ 47,951	\$ ( 78,089)
Noncapital financing activities	65,964	( 47,951)	12,473
Capital and related financing activities	165,536	( 71,261)	
Investing activities	<u>( 110,090)</u>		<u>2,063</u>
Net increase(decrease)	126,282	( 71,261)	( 63,553)
Beginning cash	<u>276,869</u>	<u>71,261</u>	<u>148,466</u>
Ending cash	<u>\$ 403,151</u>	<u>\$</u>	<u>\$ 84,913</u>

SUPPLEMENTARY INFORMATION

MUSKEGON HEIGHTS HOUSING COMMISSION  
**COMBINING STATEMENT OF NET ASSETS**  
**BY PROGRAM**

March 31, 2008

=====

	C-3018 Low Rent Program <u>14.850a</u>	Capital Fund Program <u>14.872</u>
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$ 403,151	\$
Cash-restricted		
Receivables:		
Accounts receivable-tenants	17,371	
Allowance for doubtful accounts	( 1,676)	
Investments	121,077	
Prepaid expenses	9,159	
Inventories	500	
Due from other programs		
Total current assets	<u>549,582</u>	
Capital assets:		
Land	1,683,588	
Buildings	18,692,648	
Equipment	268,161	
Construction in progress		<u>623,161</u>
	20,644,397	623,161
Less accumulated depreciation	<u>(13,624,324)</u>	
Net capital assets	<u>7,020,073</u>	<u>623,161</u>
Total Assets	<u>\$ 7,569,655</u>	<u>\$ 623,161</u>

Housing Choice Vouchers <u>14.871</u>	<u>Totals</u>
\$ 71,686	\$ 474,837
13,227	13,227
	17,371
	( 1,676)
	121,077
	9,159
	500
<u>59,157</u>	<u>59,157</u>
<u>144,070</u>	<u>693,652</u>
	1,683,588
	18,692,648
	268,161
<u>          </u>	<u>623,161</u>
	21,267,558
<u>          </u>	<u>(13,624,324)</u>
<u>          </u>	<u>7,643,234</u>
<u>\$ 144,070</u>	<u>\$ 8,336,886</u>

MUSKEGON HEIGHTS HOUSING COMMISSION  
**COMBINING STATEMENT OF NET ASSETS**  
**BY PROGRAM (CONTINUED)**  
 March 31, 2008

=====

	C-3018 Low Rent Program <u>14.850a</u>	Capital Fund Program <u>14.872</u>
<b>LIABILITIES and NET ASSETS</b>		
Current liabilities:		
Accounts payable	\$ 64,197	\$
Accounts payable-other government	153,921	
Tenant security deposit liability	26,783	
Accrued expenses	3,888	
Deferred revenues	27,263	
Current portion of long-term debt	106,040	
Other current liabilities	828	
Due to other programs	<u>59,157</u>	
Total current liabilities	<u>442,077</u>	
Noncurrent liabilities:		
Long-term debt, net of current	1,122,131	
Accrued compensated absences	<u>34,988</u>	
Total noncurrent liabilities	<u>1,157,119</u>	
Total liabilities	<u>1,599,196</u>	
Net Assets:		
Invested in capital assets	5,791,902	623,161
Restricted net assets		
Unrestricted net assets	<u>178,557</u>	
Total net assets	<u>5,970,459</u>	<u>623,161</u>
Total Liabilities and Net Assets	<u>\$7,569,655</u>	<u>\$ 623,161</u>



Housing Choice Vouchers <u>14.871</u>	<u>Totals</u>
\$	\$ 64,197
	153,921
	26,783
3,336	7,224
	27,263
	106,040
511	1,339
<u>          </u>	<u>59,157</u>
<u>3,847</u>	<u>445,924</u>
	1,122,131
<u>          </u>	<u>34,988</u>
	<u>1,157,119</u>
<u>3,847</u>	<u>1,603,043</u>
	6,415,063
13,227	13,227
<u>126,996</u>	<u>305,553</u>
<u>140,223</u>	<u>6,733,843</u>
<u>\$ 144,070</u>	<u>\$ 8,336,886</u>

MUSKEGON HEIGHTS HOUSING COMMISSION  
**COMBINING STATEMENT OF REVENUES, EXPENSES, AND  
 CHANGES IN NET ASSETS BY PROGRAM**  
 Year Ended March 31, 2008

=====

	C-3018 Low Rent Program <u>14.850a</u>	Capital Fund Program <u>14.872</u>
<b>OPERATING REVENUES:</b>		
Dwelling rent	\$ 776,061	\$
Nondwelling rent	2,514	
Operating grants	<u>1,010,762</u>	<u>108,179</u>
Total operating revenues	<u>1,789,337</u>	<u>108,179</u>
<b>OPERATING EXPENSES:</b>		
Administration	424,264	
Tenant services	24,972	
Utilities	525,531	
Ordinary maintenance and operation	552,668	
Protective services	38,590	
General expenses	209,482	
Interest expense	57,369	
Housing assistance payments		
Depreciation	<u>436,595</u>	
Total operating expenses	<u>2,269,471</u>	
Operating income(loss)	<u>( 480,134)</u>	<u>108,179</u>
<b>NONOPERATING REVENUES:</b>		
Operating transfers in(out)	108,179	( 108,179)
Investment interest income	10,987	
Other income	<u>37,967</u>	
Total nonoperating revenues	<u>157,133</u>	<u>( 108,179)</u>
Income(loss) before contributions	( 323,001)	
<b>CAPITAL CONTRIBUTIONS</b>		<u>266,283</u>
Change in net assets	( 323,001)	266,283
Prior period adjustments, equity transfers and correction of errors	1,016,677	( 811,621)
Net assets, beginning	<u>5,276,783</u>	<u>1,168,499</u>
Net assets, ending	<u>\$5,970,459</u>	<u>\$ 623,161</u>

Housing Choice Vouchers <u>14.871</u>	<u>Totals</u>
\$	\$ 776,061
	2,514
<u>164,436</u>	<u>1,283,377</u>
<u>164,436</u>	<u>2,061,952</u>
20,722	444,986
	24,972
	525,531
	552,668
	38,590
	209,482
	57,369
222,314	222,314
	<u>436,595</u>
<u>243,036</u>	<u>2,512,507</u>
<u>( 78,600)</u>	<u>( 450,555)</u>
2,063	13,050
	<u>37,967</u>
<u>2,063</u>	<u>51,017</u>
( 76,537)	( 399,538)
	<u>266,283</u>
( 76,537)	( 133,255)
	205,056
<u>216,760</u>	<u>6,662,042</u>
<u>\$ 140,223</u>	<u>\$ 6,733,843</u>

**MUSKEGON HEIGHTS HOUSING COMMISSION  
COMBINING STATEMENT OF CASH FLOWS  
BY PROGRAM**

Year Ended March 31, 2008

=====

	C-3018 Low Rent Program <u>14.850a</u>	Capital Fund Program <u>14.872</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Cash received from dwelling and nondwelling rents	\$ 765,715	\$
Cash received from operating grants	1,038,025	47,951
Cash payments to other suppliers of goods and services	(1,278,586)	
Cash payments to employees for services	<u>( 520,282)</u>	
Net cash provided (used) by operating activities	<u>4,872</u>	<u>47,951</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:</b>		
Interprogram due to (from)	( 72,701)	60,228
Operating transfers in(out)	108,179	( 108,179)
Tenant security deposits	( 7,481)	
Other revenue	<u>37,967</u>	
Net cash provided (used) by noncapital financing activities	<u>65,964</u>	<u>( 47,951)</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>		
Payments of principal on loans	( 105,781)	
Capital grants		266,283
Payments for capital acquisitions	<u>271,317</u>	<u>( 337,544)</u>
Net cash provided (used) by capital and related financing activities	<u>165,536</u>	<u>( 71,261)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Investments increased by	( 121,077)	
Receipts of interest and dividends	<u>10,987</u>	
Net cash provided (used) by investing activities	<u>( 110,090)</u>	
Net increase(decrease) in cash	126,282	( 71,261)
Cash, beginning	<u>276,869</u>	<u>71,261</u>
Cash, ending	<u>\$ 403,151</u>	<u>\$</u>

Housing Choice Vouchers 14.871	Totals
\$ 164,436	\$ 765,715
( 222,209)	( 1,250,412)
<u>( 20,316)</u>	<u>( 540,598)</u>
<u>( 78,089)</u>	<u>( 25,266)</u>
12,473	( 7,481)
	<u>37,967</u>
<u>12,473</u>	<u>30,486</u>
	( 105,781)
	266,283
	<u>( 66,227)</u>
	<u>94,275</u>
	( 121,077)
<u>2,063</u>	<u>13,050</u>
<u>2,063</u>	<u>( 108,027)</u>
( 63,553)	( 8,532)
<u>148,466</u>	<u>496,596</u>
<u>\$ 84,913</u>	<u>\$ 488,064</u>

MUSKEGON HEIGHTS HOUSING COMMISSION  
**COMBINING STATEMENT OF CASH FLOWS**  
**BY PROGRAM (CONTINUED)**  
Year Ended March 31, 2008

=====

C-3018	Capital
Low Rent	Fund
Program	Program
<u>14.850a</u>	<u>14.872</u>

**RECONCILIATION OF OPERATING INCOME  
(LOSS) TO NET CASH PROVIDED BY  
OPERATING ACTIVITIES:**

Operating income(loss)	\$( 480,134)	\$ 108,179
Adjustments to reconcile operating (loss) to net cash provided(used) by operating activities:		
Depreciation	436,595	
Bad debt allowance adjustment	( 2,786)	
Changes in assets and liabilities:		
(Increase) decrease in assets:		
Accounts receivable-tenants	( 12,860)	
Prepaid expenses	21,840	
Increase (decrease) in liabilities:		
Accounts payable	2,951	
Accrued compensated absences	( 14,567)	
Other current liabilities	828	
Deferred revenues	27,263	( 60,228)
Accounts payable-PILOT	<u>25,742</u>	
Net cash provided (used) by operating activities	<u>\$ 4,872</u>	<u>\$ 47,951</u>

Housing Choice Vouchers 14.871	Totals
\$ ( 78,600)	\$ ( 450,555)
	436,595
	( 2,786)
	( 12,860)
	21,840
	2,951
	( 14,567)
511	1,339
	( 32,965)
	<u>25,742</u>
<u>\$ ( 78,089)</u>	<u>\$ ( 25,266)</u>

MUSKEGON HEIGHTS HOUSING COMMISSION  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
AND NOTES TO THE SCHEDULE OF FEDERAL AWARDS  
Year Ended March 31, 2008  
=====

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Fiscal Year	Federal Grantor	CFDA No.	Expenditures
	<u>U.S. Department of HUD</u>		
	<u>Public and Indian Housing Major - Direct Program</u>		
2008	Low Rent Public Housing	14.850a	\$1,010,762
	<u>Public and Indian Housing Major - Direct Program</u>		
2008	Capital Fund Program	14.872	374,462
	<u>Low Income Public Housing Nonmajor - Direct Program</u>		
2008	Housing Choice Vouchers	14.871	<u>164,436</u>
	Total		<u>\$1,549,660</u>

NOTES TO THE SCHEDULE OF FEDERAL AWARDS

**NOTE 1: Significant Accounting Policies**

The schedule of federal awards has been prepared on the accrual basis of accounting.

CFDA = Catalog of Federal Domestic Assistance



## MUSKEGON HEIGHTS HOUSING COMMISSION

## FINANCIAL DATA SCHEDULE

Year Ended March 31, 2008

=====

FDS Line Item No.		C-3018 Low Rent Program <u>14.850a</u>	Capital Fund Program <u>14.872</u>
	<b>ASSETS</b>		
	Current Assets:		
	Cash:		
111	Cash-unrestricted	\$ 376,368	\$
113	Cash-other restricted		
114	Cash-tenant security deposits	<u>26,783</u>	
100	Total cash	<u>403,151</u>	
	Receivables:		
126	A/R-tenants-dwelling rents	17,371	
126.1	Allowance for doubtful accounts	<u>( 1,676)</u>	
120	Total receivables, net of allowance for doubtful accounts	<u>15,695</u>	
131	Investments-unrestricted	<u>121,077</u>	
	Other Current Assets:		
142	Prepaid expenses and other assets	9,159	
143	Inventories	500	
144	Interprogram due from		
	Total other current assets	<u>9,659</u>	
150	Total current assets	<u>549,582</u>	
	Noncurrent Assets:		
	Fixed Assets:		
161	Land	1,683,588	
162	Buildings	18,692,648	
163	Furn, equip & mach-dwellings	69,556	
164	Furn, equip & mach-admin.	198,605	
166	Accumulated depreciation	(13,624,324)	
167	Construction in progress		<u>623,161</u>
160	Total fixed assets, net of accumulated depreciation	<u>7,020,073</u>	<u>623,161</u>
180	Total noncurrent assets	<u>7,020,073</u>	<u>623,161</u>
190	Total Assets	<u>\$ 7,569,655</u>	<u>\$ 623,161</u>

Housing Choice Vouchers 14.871	Totals
\$ 71,686	\$ 448,054
13,227	13,227
	<u>26,783</u>
<u>84,913</u>	<u>488,064</u>
	17,371
	<u>( 1,676)</u>
	<u>15,695</u>
	<u>121,077</u>
	9,159
	500
<u>59,157</u>	<u>59,157</u>
<u>59,157</u>	<u>68,816</u>
<u>144,070</u>	<u>693,652</u>
	1,683,588
	18,692,648
	69,556
	198,605
	(13,624,324)
	<u>623,161</u>
	<u>7,643,234</u>
	<u>7,643,234</u>
<u>\$ 144,070</u>	<u>\$ 8,336,886</u>

MUSKEGON HEIGHTS HOUSING COMMISSION  
**FINANCIAL DATA SCHEDULE (CONTINUED)**  
Year Ended March 31, 2008

=====

FDS Line Item No.		C-3018 Low Rent Program <u>14.850a</u>	Capital Fund Program <u>14.872</u>
<b>LIABILITIES and NET ASSETS</b>			
	Liabilities:		
	Current Liabilities:		
312	Accounts payable<=90 days	\$ 64,197	\$
322	Accrued compensated absences- current portion	3,888	
333	Accounts payable-other government	153,921	
341	Tenant security deposits	26,783	
342	Deferred revenues	27,263	
343	Current portion of long-term debt	106,040	
345	Other current liabilities	828	
347	Interprogram due to	<u>59,157</u>	
310	Total current liabilities	<u>442,077</u>	
	Noncurrent Liabilities:		
351	Long-term debt, net of current	1,122,131	
354	Accrued compensated absences	<u>34,988</u>	
350	Total noncurrent liabilities	<u>1,157,119</u>	
300	Total liabilities	<u>1,599,196</u>	
	Net Assets:		
508.1	Invested in capital assets	<u>5,791,902</u>	<u>623,161</u>
508	Total invested in capital assets	5,791,902	623,161
511.1	Restricted net assets		
512.1	Unrestricted net assets	<u>178,557</u>	
513	Total Net Assets	<u>5,970,459</u>	<u>623,161</u>
600	Total Liabilities and Net Assets	<u>\$ 7,569,655</u>	<u>\$ 623,161</u>

Housing Choice Vouchers <u>14.871</u>	<u>Totals</u>
\$	\$ 64,197
3,336	7,224
	153,921
	26,783
	27,263
	106,040
511	1,339
	<u>59,157</u>
<u>3,847</u>	<u>445,924</u>
	1,122,131
	<u>34,988</u>
	<u>1,157,119</u>
<u>3,847</u>	<u>1,603,043</u>
	<u>6,415,063</u>
	6,415,063
13,227	13,227
<u>126,996</u>	<u>305,553</u>
<u>140,223</u>	<u>6,733,843</u>
<u>\$ 144,070</u>	<u>\$ 8,336,886</u>

MUSKEGON HEIGHTS HOUSING COMMISSION  
**FINANCIAL DATA SCHEDULE (CONTINUED)**  
Year Ended March 31, 2008

=====

FDS Line Item No.		C-3018 Low Rent Program 14.850a	Capital Fund Program 14.872
	<b>Revenue:</b>		
703	Net tenant rental revenue	\$ 776,061	\$
704	Tenant revenue-other	<u>2,514</u>	
705	Total tenant revenue	778,575	
706	HUD PHA grants	1,010,762	108,179
706.1	Capital grants		266,283
711	Investment income-unrestricted	10,987	
715	Other income	37,967	
720	Investment income-restricted		
700	Total revenue	<u>1,838,291</u>	<u>374,462</u>
	<b>Expenses:</b>		
	Administrative:		
911	Administrative salaries	207,566	
912	Auditing fees	5,900	
914	Compensated absences	434	
915	Employee benefit contributions	53,224	
916	Other operating-administrative	157,140	
	Tenant Services:		
921	Tenant services-salaries	24,804	
924	Tenant services-other	168	
	Utilities:		
931	Water	92,651	
932	Electricity	139,714	
933	Gas	293,166	
	Ordinary maintenance and operation:		
941	Ordinary maint & oper-labor	159,278	
942	Ordinary maint & oper-mat'ls & other	76,760	
943	Ordinary maint & oper-contract costs	253,954	
945	Employee benefit contributions	62,676	
	Protective services:		
953	Other	38,590	
	General expenses:		
961	Insurance premiums	147,213	
963	Payments in lieu of taxes	25,742	
964	Bad debt-tenant rents	36,527	
967	Interest expense	<u>57,369</u>	
969	Total operating expenses	<u>1,832,876</u>	

Housing Choice Vouchers 14.871	Totals
\$	\$ 776,061
	2,514
	778,575
164,436	1,283,377
	266,283
830	11,817
	37,967
1,233	1,233
166,499	2,379,252
12,166	219,732
	5,900
106	540
8,150	61,374
300	157,440
	24,804
	168
	92,651
	139,714
	293,166
	159,278
	76,760
	253,954
	62,676
	38,590
	147,213
	25,742
	36,527
	57,369
20,722	1,853,598

MUSKEGON HEIGHTS HOUSING COMMISSION  
**FINANCIAL DATA SCHEDULE (CONTINUED)**  
Year Ended March 31, 2008  
=====

FDS Line Item No.		C-3018 Low Rent Program <u>14.850a</u>	Capital Fund Program <u>14.872</u>
970	Excess operating revenue over operating expenses	<u>5,415</u>	<u>374,462</u>
	<b>Expenses continued:</b>		
	Other expenses:		
973	Housing assistance payments		
974	Depreciation expense	<u>436,595</u>	<u></u>
	Total other expenses	<u>436,595</u>	<u></u>
900	Total expenses	<u>2,269,471</u>	<u></u>
	<b>Other Financing Sources(Uses):</b>		
1001	Operating transfers in(out)	<u>108,179</u>	<u>( 108,179)</u>
1000	Excess (deficiency) of operating revenue over(under) expenses	( 323,001)	266,283
1103	Beginning Net Assets	5,276,783	1,168,499
1104	Prior period adjustments, equity transfers and correction of errors	<u>1,016,677</u>	<u>( 811,621)</u>
	Ending Net Assets	<u>\$ 5,970,459</u>	<u>\$ 623,161</u>

Housing Choice Vouchers 14.871	<u>Totals</u>
<u>145,777</u>	<u>525,654</u>
222,314	222,314
<u>222,314</u>	<u>436,595</u>
<u>243,036</u>	<u>658,909</u>
	<u>2,512,507</u>
( 76,537)	( 133,255)
216,760	6,662,042
	<u>205,056</u>
<u>\$ 140,223</u>	<u>\$ 6,733,843</u>



**Report on Internal Control Over Financial Reporting  
and on Compliance and Other Matters Based on an  
Audit of Financial Statements Performed in Accordance  
with Government Auditing Standards**

Board of Housing Commissioners  
Muskegon Heights Housing Commission  
Muskegon Heights, Michigan

I have audited the financial statements of the business-type activities of Muskegon Heights Housing Commission, Michigan, (Housing Commission) as of and for the year ended March 31, 2008, which comprise the Housing Commission's basic financial statements and have issued my report thereon dated October 8, 2008. I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Internal Control Over Financial Reporting**

In planning and performing my audit, I considered the Housing Commission's internal control over financial reporting as a basis for designing my auditing procedures for the purpose of expressing my opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Housing Commission's internal control over financial reporting. Accordingly, I do not express an opinion on the effectiveness of the Housing Commission's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Housing Commission's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted principles such that there is more than a remote likelihood that a misstatement of the Housing Commission's financial statements that is more than inconsequential will not be prevented or detected by the Housing Commission's internal control.

Report on Internal Control over Financial Reporting  
and on Compliance and Other Matters Based on an  
Audit of Financial Statements Performed in Accordance  
with *Government Auditing Standards*  
Muskegon Heights Housing Commission  
Page Two

**Internal Control Over Financial Reporting (Continued)**

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Housing Commission's internal control.

My consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that I consider to be material weaknesses, as defined above.

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Housing Commission's financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit, and accordingly, I do not express such an opinion. The results of my tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs as items 2008-1, 2008-2, and 2008-3, respectively.

I noted certain matters that I reported to management of the Housing Commission, in a separate letter dated October 8, 2008.

This report is intended solely for the information and use of management, the Board of Housing Commissioners, others within the entity, the Michigan Department of Treasury, and federal awarding agencies and is not intended to be and should not be used by anyone other than these specified parties.

*Sam E. Vanteth, CPA*

October 8, 2008

**Report on Compliance with Requirements  
Applicable To Each Major Program and  
on Internal Control over Compliance  
in Accordance with OMB Circular A-133**

Board of Housing Commissioners  
Muskegon Heights Housing Commission  
Muskegon Heights, Michigan

**Compliance**

I have audited the compliance of Muskegon Heights Housing Commission, Michigan, (Housing Commission) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended March 31, 2008. The Housing Commission's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the Housing Commission's management. My responsibility is to express an opinion on the Housing Commission's compliance based on my audit.

I conducted my audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that I plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Housing Commission's compliance with those requirements and performing such other procedures as I considered necessary in the circumstances. I believe that my audit provides a reasonable basis for my opinion. My audit does not provide a legal determination of the Housing Commission's compliance with those requirements.

In my opinion, the Housing Commission, complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended March 31, 2008.

Report on Compliance with Requirements Applicable  
to Each Major Program and on Internal Control  
Over Compliance in Accordance with OMB Circular A-133  
Muskegon Heights Housing Commission  
Page Two

**Internal Control Over Compliance**

The management of the Housing Commission, is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing my audit, I considered the Housing Commission's internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine my auditing procedures for the purpose of expressing my opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, I do not express an opinion on the effectiveness of the Housing Commission's internal control over compliance. Accordingly, I do not express an opinion on the effectiveness of the Housing Commission's internal control over compliance.

A *control deficiency* in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A *material weakness* is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

My consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. I did not identify any deficiencies in internal control over compliance that I consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of management, Board of Housing Commissioners, the City of Muskegon Heights, the Michigan Department of Treasury, and federal awarding agencies and is not intended to be and should not be used by anyone other than these specified parties.

*Barry S. Jankette, CPA, PC*  
October 8, 2008

MUSKEGON HEIGHTS HOUSING COMMISSION  
STATUS OF PRIOR AUDIT FINDINGS  
March 31, 2008

=====

**Finding Item 2007-1:** Required and recommended documentation is missing, incorrect, or incomplete in the tenant files of the Low Rent Public Housing Program. The exception rate was 7.6% for the fiscal year ended March 31, 2007, but this year it was 3.2%. This finding has been **cleared**.

**Finding Item 2007-2:** The Low Rent Public Housing Program's waiting list documentation was not adequate and the waiting list process didnot consistently match the Housing Commission's policy. This finding has been **cleared**.

**Finding Item 2007-3:** Required and recommended documentation is missing, incorrect, or incomplete in the tenant files of the Housing Choice Voucher Program. The exception rate was 11.1% for the fiscal year ended March 31, 2007, but this year it was 8.8%. This finding is **cleared**, because the Housing Commission has implemented a way to document properly that the criminal background check was done and has hired a contractor to prepare the rent reasonableness testing. Without the exceptions for the criminal background check documentation and rent reasonableness testing documentation the exception rate would be 4.4%.

MUSKEGON HEIGHTS HOUSING COMMISSION  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
March 31, 2008  
=====

**SECTION I - SUMMARY OF AUDITOR RESULTS**

1. The auditor's report expresses an unqualified opinion on the financial statements of Muskegon Heights Housing Commission.
2. There was no control deficiencies disclosed during the audit of the financial statements.
3. No instances of noncompliance material to the financial statements of Muskegon Heights Housing Commission were disclosed during the audit, but there were three compliance findings that are considered significant deficiencies.
4. There were no reportable conditions in internal control over major federal award programs disclosed during the audit.
5. The auditor's report on compliance for the major federal award programs for Muskegon Heights Housing Commission expresses an unqualified opinion on all major programs.
6. Audit findings that are required to be reported in accordance with Section 510(a) of OMB Circular A-133 are reported in this Schedule.
7. The programs tested as major programs included:

Low Rent Public Housing program	CFDA No. 14.850a
Capital Fund program	CFDA No. 14.872
8. The threshold for distinguishing Types A and B programs was \$300,000.
9. The Muskegon Heights Housing Commission was determined to be a high risk auditee.

MUSKEGON HEIGHTS HOUSING COMMISSION  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)  
March 31, 2008  
=====

SECTION II - FINANCIAL STATEMENT FINDINGS

None

SECTION III - FEDERAL AWARD FINDINGS

**FINDING 2008-1:** Low Rent Public Housing Program, CFDA No. 14.850a

*Criteria:* 24 CFR 85 and HUD Handbook 7460.8 REV.2 (March 2007). Part 85 is the section of the Code of Federal Regulations, Title 24 that includes the administrative requirements for grantees receiving federal funds. Part 85 provides guidance on developing a **procurement policy** and system, important parts of a contract administration system, general guidance on the standard of conduct for PHA employees involved in procurement of goods and services, requirements for price and cost analysis. The handbook was revised in March 2007 and incorporates changes in Federal laws and regulations.

*Statement of Condition:* The Housing Commission's procurement policy is dated January 21, 2002.

*Questioned Costs:* None

*Perspective Information:* The handbook has been updated to clarify, simplify, and update procurement requirements for public housing. It incorporates changes in Federal laws, regulations, and other instructions.

*Cause:* The Housing Commission hasn't had a chance to update the procurement policy.

*Effect or Potential Effect:* The Housing Commission may not be following Federal laws and regulations.

*Recommendation:* I recommend that the Housing Commission obtain the new handbook and adopt a new procurement policy to be in compliance.

MUSKEGON HEIGHTS HOUSING COMMISSION  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)  
March 31, 2008  
=====

**SECTION III - FEDERAL AWARD FINDINGS (CONTINUED)**

**FINDING 2008-2:** Housing Choice Voucher Program, CFDA No. 14.871

*Criteria:* 24 CFR 960.204 Denial of admission for criminal activity or drug abuse by household members.

*Statement of Condition:* During testing of the tenant files, it was discovered that there was no evidence available that **criminal background checks** are being done in all cases where required.

*Questioned Costs:* None

*Perspective Information:* The Housing Commission does the criminal background check, but hasn't in the past had documentation to support that the check was done.

*Cause:* Since criminal background checks must be destroyed once the time for a challenge has passed, the Housing Commission wasn't sure how to provide documentation that it was done.

*Effect or Potential Effect:* Ineligible tenants may be in the program and tenant's safety could be at risk.

*Recommendation:* I recommend that the Housing Commission continue their new procedure that was started after March 31, 2008. The new procedure was to retain the letter sent to the authorities in the tenant files, but only if there was no criminal background history.



MUSKEGON HEIGHTS HOUSING COMMISSION  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)  
March 31, 2008  
=====

**SECTION III - FEDERAL AWARD FINDINGS (CONTINUED)**

**FINDING 2008-3:** Housing Choice Voucher Program, CFDA No. 14.871

*Criteria:* 24 CFR 982.507 Rent to owner: **Reasonable Rent**

*Statement of Condition:* During testing of the tenant files and through an interview, it was discovered that there was not proper administration of the rent reasonableness testing process.

*Questioned Costs:* None

*Perspective Information:* The Housing Commission would record information on comparable rents on page two of the HUD form "Request for Tenancy Approval". But, while this information is helpful, it isn't enough to satisfy the Federal Regulation. Also, during my inquiries of the staff person in charge of this program, it appears that the rent reasonableness test may not be done, in some cases, when required. The Housing Commission, since March 31, 2008 has hired a contractor to prepare the rent reasonableness test.

*Cause:* The Housing Commission staff in charge of this program may not have been trained on the requirements of the rent reasonableness test.

*Effect or Potential Effect:* Tenants may have been charged rents that were too high.

*Recommendation:* It is recommended that the Housing Commission continue to contract out the rent reasonableness test. This test should be when there is an increase in rent, for the initial leasing, if there is a five percent decrease in the published Fair Market Rent in effect 60 days before the contract anniversary as compared with the Fair Market Rent in effect one year before the contract anniversary, and as otherwise directed by HUD as required by 24 CFR 982.507.

MUSKEGON HEIGHTS HOUSING COMMISSION  
CORRECTIVE ACTION PLAN  
March 31, 2008  
=====

**SECTION III - FEDERAL AWARD FINDINGS (CONTINUED)**

Low Rent Program - CFDA No. 14.850a

**Finding 2008-1:** Procurement Policy

*Statement of Condition:* The Housing Commission's procurement policy is dated January 21, 2002.

*Corrective Action Plan:* The Housing Commission is in the process of obtaining the new Procurement Handbook and will adopt a revised policy.

Housing Choice Voucher Program - CFDA No. 14.871

**Finding 2008-2:** Criminal Background Checks

*Statement of Condition:* During testing of the tenant files, it was discovered that there was no evidence available that criminal background checks are being done in all cases where required.

*Corrective Action Plan:* The Housing Commission implemented new procedures after annual audit for FYE 3/31/07 and will continue the background checks for each recertification as well as new applicants.

Housing Choice Voucher Program - CFDA No. 14.871

**Finding 2008-3:** Rent Reasonableness Test

*Statement of Condition:* During testing of the tenant files and through an interview, it was discovered that there was not proper administration of the rent reasonableness testing process.

*Corrective Action Plan:* The Housing Commission contracted with the Nelrod Company after 3/31/08 to perform rent reasonableness test and to advise on other Section 8 issues.

Questions or comments concerning any of the above should be directed to:

McKinley V. Copeland, Executive Director  
Muskegon Heights Housing Commission  
615 E. Hovey Avenue  
Muskegon Heights, MI 49444

MUSKEGON HEIGHTS HOUSING COMMISSION  
**ADJUSTING JOURNAL ENTRIES**  
 March 31, 2008  
 =====

Electronic  
 Submission  
Line Number

Account Name

Debit

Credit

**Low Rent Program:**

	(1)			
921	Tenant services-salary	\$ 24,804.00		
915	Employee benefit services-admin.		\$ 24,804.00	
	(2)			
715	Other income	3,120.96		
111	Cash-activity account		3,120.96	
	(3)			
111	Cash-checking-Bank One	2,046.27		
715	Other income		2,046.27	
	(4)			
941	Ordinary maintenance-wage	23,400.00		
715	Other income	47,861.00		
131	Investments-CFP		71,261.00	
	(5)			
967	Interest expense	21,567.04		
915	Employee benefits		21,567.04	
	(6)			
312	Accounts payable	7,949.00		
347	Interprogram due to		7,949.00	

**Housing Choice Voucher Program:**

	(1)			
144	Interprogram due from	7,949.00		
111	Cash-unrestricted		7,949.00	
	(2)			
113	Cash-restricted	13,227.00		
111	Cash-unrestricted		13,227.00	

MUSKEGON HEIGHTS HOUSING COMMISSION

**INDEPENDENT AUDITORS' REPORTS  
ON COMMUNICATIONS WITH THE  
BOARD OF COMMISSIONERS  
AND  
MANAGEMENT ADVISORY COMMENTS**

MARCH 31, 2008

October 8, 2008

To the Board of Commissioners  
Muskegon Heights Housing Commission

I have audited the financial statements of the business-type activities of each major fund of the Muskegon Heights Housing Commission ("Housing Commission") for the year ended March 31, 2008, and have issued my report thereon dated October 8, 2008. Professional standards require that I provide you with the following information related to my audit.

**My Responsibilities under U.S. Generally Accepted Auditing Standards and OMB Circular A-133.**

As stated in my engagement letter dated September 15, 2008, my responsibility, as described by professional standards, is to express an opinion about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles. My audit of the financial statements does not relieve you or management of your responsibilities.

In planning and performing my audit, I considered Muskegon Heights Housing Commission's internal control over financial reporting in order to determine my auditing procedures for the purpose of expressing my opinions on the financial statements and not to provide assurance on the internal control over financial reporting. I also considered internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine my auditing procedures for the purpose of expressing my opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

As part of obtaining reasonable assurance about whether Muskegon Heights Housing Commission's financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit. Also in accordance with OMB Circular A-133, I examined, on a test basis, evidence about Muskegon Heights Housing Commission's compliance with the types of compliance requirements

**My Responsibilities under U.S. Generally Accepted Auditing Standards and OMB Circular A-133 (Continued)**

described in the "U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement" applicable to each of its major federal programs for the purpose of expressing an opinion on Muskegon Heights Housing Commission's compliance with those requirements. While my audit provides a reasonable basis for my opinion, it does not provide a legal determination on Muskegon Heights Housing Commission's compliance with those requirements.

**Significant Audit Findings**

*Qualitative Aspects of Accounting Practices*

Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of my engagement letter, I will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by Muskegon Heights Housing Commission are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the fiscal year ending March 31, 2008. I noted no transactions entered into by the governmental unit during the year for which there is a lack of authoritative guidance or consensus. There is no significant transactions that have been recognized in the financial statements in a different period than when the transaction occurred.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimate(s) affecting the financial statements were:

Management's estimate of depreciation and allowance for bad debt were based on the useful life of the asset and the likelihood of collecting tenant rents based on prior experience. I evaluated the key factors and assumptions used to develop the depreciation expense and bad debt expense allowance in determining that they were reasonable in relation to the financial statements taken as a whole.

**Significant Audit Findings (Continued)**

*Qualitative Aspects of Accounting Practices (Continued)*

The disclosures in the financial statements are neutral, consistent, and clear. Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. There were no significant disclosures.

*Difficulties Encountered in Performing the Audit*

I encountered no significant difficulties in dealing with management in performing and completing my audit.

*Corrected and Uncorrected Misstatements*

Professional standards require me to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to the financial statements taken as a whole.

*Disagreements with Management*

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to my satisfaction, that could be significant to the financial statements or the auditor's report. I am pleased to report that no such disagreements arose during the course of my audit.

*Management Representations*

I have requested certain representations from management that are included in the management representation letter dated October 8, 2008.

*Management Consultations with Other Independent Accountants*

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the governmental unit's financial statements or a determination of the type of auditor's opinion that may be expressed on those

**Significant Audit Findings (Continued)**

*Management Consultations with Other Independent Accountants  
(Continued)*

statements, my professional standards require the consulting accountant to check with me to determine that the consultant has all the relevant facts. To my knowledge, there were no such consultations with other accountants.

*Other Audit Findings or Issues*

I generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the governmental unit's auditor. However, these discussions occurred in the normal course of my professional relationship and my responses were not a condition to my retention.

Other matters involving the Housing Commission's operations and internal control, which came to my attention during the audit, are reported on the following pages as management advisory comments.

I would like to take this opportunity to acknowledge the many courtesies extended to me by the Housing Commission personnel during the course of my work.

This information is intended solely for the use of the audit committee or its equivalent, management, HUD, and the Michigan Department of Treasury and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

A handwritten signature in cursive script that reads "Barry E. Gaudette, CPA".

Barry E. Gaudette, CPA



MUSKEGON HEIGHTS HOUSING COMMISSION  
MANAGEMENT ADVISORY COMMENTS  
March 31, 2008

=====

**Accounts Receivable**

The Housing Commission as of March 31, 2008 had accounts receivable of \$17,341.40. This amount consists of vacated accounts receivable of \$6,653.83 and accounts of \$7,558.32 that are over one month delinquent.

I recommend that the Housing Commission write off accounts that are not likely to be collected at the March Board meeting. The financial indicator for outstanding accounts receivable uses the \$17,341.40 amount as of March 31, 2008. So to improve your score, the accounts receivable that are not likely to be collected should be wrote off before March 31, 2008.

**Bank Receipt**

Currently the same staff person prepares the bank deposit, deposits the money, and files the bank receipt separately from the cash batch reports and tenant receipts.

To improve the internal controls, I recommend that the bank receipt be given to the staff person responsible for collecting and filing the cash batch reports and tenant receipts. This same staff person should reconcile the bank receipt to the corresponding cash batch report and initial the bank receipt.

**Outstanding Checks**

The bank reconciliation as of March 31, 2008, shows outstanding checks in the amount of \$109,173.02 in the operating account.

I recommend that the Housing Commission staff person in charge of the bank reconciliation, review the checks not cashed yet and investigate if they should be written off.

**Resident Council Checking Account**

During inquiries of staff personnel, it came to my attention that the resident council has a checking account that is not on the Housing Commission's books. My understanding is that the transactions going through this account are not material.

I recommend that the resident council checking account transactions be accounted for in the Housing Commission's books. The resident council should submit on a monthly basis a copy of the bank statement and check register. The fee accountant should get a copy of these, so he can record the transactions.